

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
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FM AMEMBASSY JAKARTA
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INFO AMEMBASSY TOKYO

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E.O. 11652: GDS
TAGS: ENRG, ID
SUBJECT: PAC-INDO LNG CONTRACT

1. PERTAMINA PRESIDENT DIRECTOR HARYONO TOLD EMBASSY
THAT A JAPANESE IRANIAN LNG CONTRACT HAS FALLEN THROUGH.
AS A RESULT, JAPANESE HAVE APPROACHED PERTAMINA REGARDING
POSSIBLE PURCHASE
OF LNG FROM THE ARUN EXPANSION, CURRENTLY
COMMITTED TO THE U.S. MARKET BY THE PAC-INDO CONTRACTS.

2. HARYONO EMPHASIZED PERTAMINA'S DESIRE TO SELL THE
LNG TO THE U.S. IN ORDER TO DIVERSIFY MARKETS AND TO
BUILD FURTHER ECONOMIC RELATIONS WITH THE U.S. HARYONO
COMMENTED FAVORABLY ON THE RECENT CALIFORNIA PUBLIC
UTILITIES COMMISSION VOTE IN FAVOR OF POINT CONCEPTION
AND FORMAL SUBMISSION OF PRICE ESCALATOR FORMULA TO
DOE, ADDING HE IS NOW OPTIMISTIC THAT THE PAC-INDO CONTRACTS
MAY BE APPROVED.

3. ON THE BASIS OF THE PUBLIC UTILITIES COMMISSION'S
VOTE ON POINT CONCEPTION AND THE FORMAL SUBMISSION TO
DOE OF A PRICE ESCALATOR, HARYONO THOUGHT IT APPROPRIATE
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TO BEGIN PRELIMINARY DISCUSSIONS ABOUT FINANCING THE
ARUN EXPANSION. HE AND/OR WIDJOJO MAY INITIATE SUCH
DISCUSSIONS NEXT WEEK IN WASHINGTON AND/OR NEW YORK.
HARYONO MENTIONED THE POSSIBILITY WIDJOJO WILL RAISE
LNG FINANCING WITH EX-IM CHAIRMAN MOORE, SINCE EX-IM
HAS PREVIOUSLY INDICATED INTEREST IN THE PROJECT.

4. EMBASSY COMMENT: HARYONO WAS VERY OPTIMISTIC ABOUT THE PAC-INDO CONTRACTS AND STRONGLY EMPHASIZED AGAIN INDONESIA'S DESIRE TO SELL LNG TO THE U.S. MARKET. WE CANNOT ASSESS WHETHER JAPAN IS NOW ACTUALLY INTERESTED IN OBTAINING ADDITIONAL LNG FROM ARUN. AS RECENTLY AS A FEW MONTHS AGO WE BELIEVE THEY WERE NOT--AT LEAST NOT BEFORE THE LATE 1980'S OR EARLY 1990'S. HARYONO COULD BE TRYING TO PUSH USG FURTHER ALONG TOWARD FAVORABLE RULING ON PAC-INDO; HOWEVER, IF A IRANIAN/JAPANESE DEAL HAS COLLAPSED, IT IS POSSIBLE THE JAPANESE WOULD COMMIT FOR ADDITIONAL INDONESIAN LNG. EMBASSY IS NOT SURE THAT THE PUBLIC UTILITIES COMMISSION VOTE AND FORMAL SUBMISSION OF SUGGESTED ESCALATOR WARRANT THE KIND OF OPTIMISM GENERAL HARYONO DISPLAYED. WE HOPE HE CAN BE GIVEN FULL AND COMPLETE BRIEFING ON U.S. LNG IMPORT POLICIES AND ON SUBSTANTIVE AND PROCEDURAL STATUS OF PAC-INDO CONTRACTS DURING HIS WASHINGTON DISCUSSIONS.

GARDNER

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